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DOCUMENT NO. 6
NO CHANGE IN CLASS. 7
☐ DECLASSIFIED
CLASS. ON NDCG TO: TS S S
NEXT REVIEW DATE: 2010
AUTH: HQ 1-2
DATE: 6 JUN 1980 REVIEWER:

8 January 1960

Copy No. C 67

CENTRAL INTELLIGENCE BULLETIN



State Department review completed

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CENTRAL INTELLIGENCE BULLETIN

8 January 1960

DAILY BRIEF

I. THE COMMUNIST BLOC

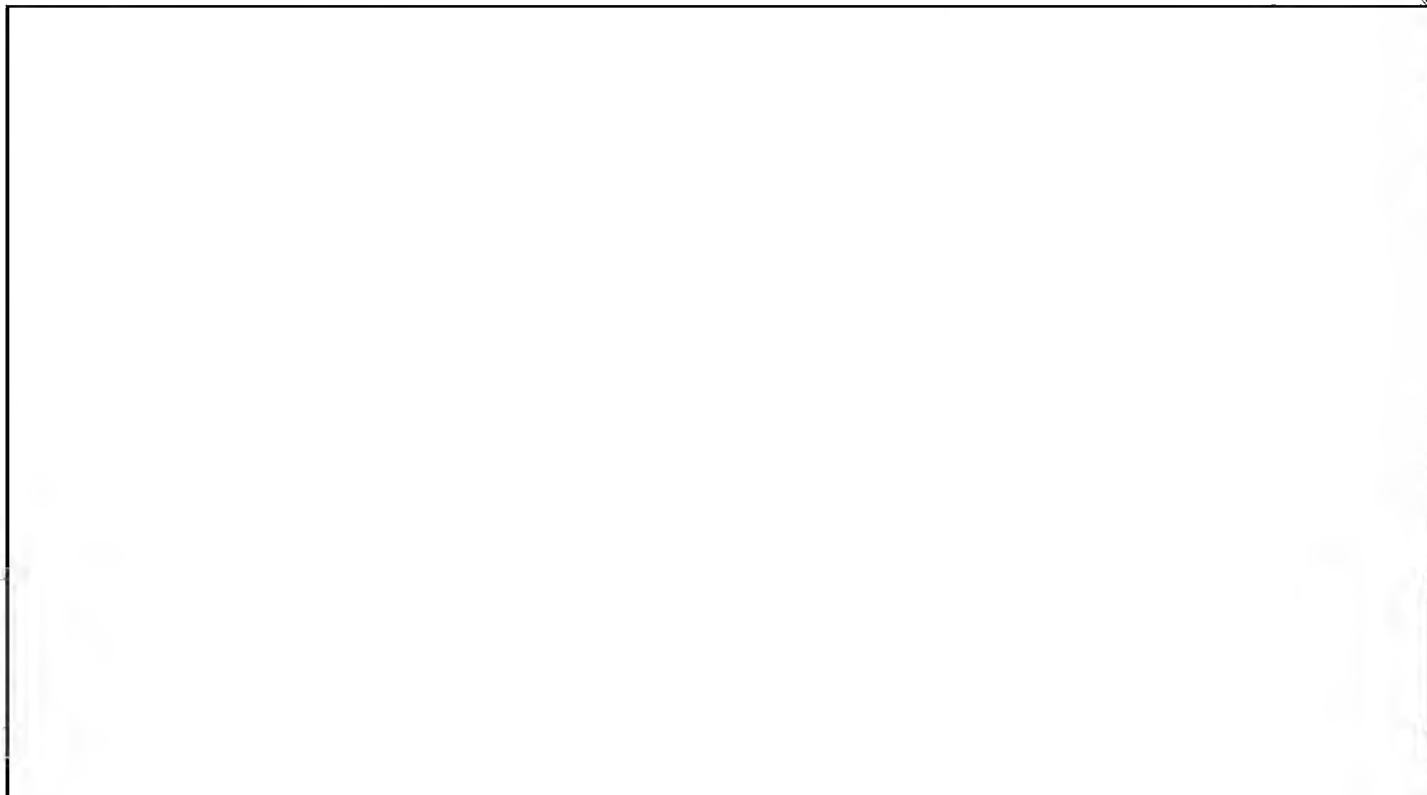
Communist China - Nepal: The flow of Tibetan refugees into Nepal has increased markedly during recent weeks, possibly as a result of reported Chinese troop movements westward along the undemarcated frontier. Rumors of sporadic Chinese incursions continue. Prime Minister Koirala, [redacted] is thinking of sending a note to Peiping protesting two Chinese intrusions in western Nepal; the Nepalese Government, however, continues publicly to deny any incursions and to minimize the threat from China, apparently hoping to avoid involvement in the Sino-Indian border dispute.

OK

II. ASIA-AFRICA

Laos: The balanced composition of the provisional government appointed by the King on 7 January should ease the strains among the various non-Communist groups. The new premier is respected elder statesman Khou Abhay; he is the brother of Nhouy Abhay, who had been named by the King to select a new cabinet. The cabinet comprises four independents, three old-guard politicians, and three members of the young reformist group (CDNI). The primary mission of the new government is to prepare for general elections later this year. [redacted]

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Libya: [The Libyan undersecretary of finance has informed an American official in Bengasi that Libya will seek substantial modification of the American base agreement if necessary to get "satisfactory" payment for American use of Wheelus Air Base. As an alternative to the present aid program, he proposes assessment of customs duties on Wheelus Base imports, which he claims would bring in some \$28,000,000 per year. If the US refuses this, he said, Libya could then go to the UN and ask that US forces be moved out of the country. While it remains to be seen how strongly the government may follow through on the undersecretary's proposal, there is strong dissatisfaction in the Libyan Government with present American aid commitments.] (Page 3)

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III. THE WEST

Italy: There are increasing signs of conflict, within the Christian Democratic party and between it and its allies, which

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Threatens the tenure of the Segni government. Prominent Christian Democrats are predicting that Segni may resign before the end of January. President Gronchi is deeply involved in the current political maneuverings, and the last-minute postponement of his trip to Moscow, which had been scheduled to start on 7 January, may have been occasioned by his concern over the possibility of a cabinet crisis rather than by illness, as publicly announced. (Page 4)

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IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

Situation in the Caribbean Through 1960. SNIE 80-1-59.
29 Dec 1959.

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I. THE COMMUNIST BLOC

II. ASIA-AFRICA

New Government in Laos

The balanced composition of the provisional government appointed by the King on 7 January should ease the strains between the various non-Communist groups. Khou Abhay, the new premier, is a respected elder statesman whose most recent position was as president of the King's Council. In addition to Khou, three other political independents are in the cabinet, including Khou's brother, Nhouy Abhay, who reportedly selected the cabinet and who will serve as deputy prime minister and minister of education. The remaining six portfolios are split evenly between the reformist Committee for Defense of National Interests (CDNI), which will control the key ministries of foreign affairs, defense, and finance, and former Premier Phoui's Rally of the Lao People (RLP) which will control, among other posts, the interior ministry. Minister of Defense General Phoumi, an important CDNI leader, is the only military figure in the cabinet.

The cabinet appears to be a generally capable one and is probably the best that could have been obtained under present political conditions in Laos. Its main function will be to prepare the country for general elections later this year. In the process, there is likely to be considerable jockeying between the CDNI and the RLP, but in view of the CDNI's enhanced power position, it will probably have the predominant voice in choosing the candidates for the anti-Communist slate.

Many of the new cabinet members are close to the King, who may play a more active, if still indirect, role in governmental affairs. [REDACTED]

[REDACTED]

[REDACTED]

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Approved For Release 2003/02/27 : CIA-RDP79T00975A004900050001-2

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Libyan Pressures For More US Aid With Fewer Controls

[redacted] 25X1

[Libyan officials are continuing their pressure for more US financial aid and fewer controls on expenditure as the price for American air-base rights in Libya. Libyan Undersecretary of Finance Shaglouf has informed an American official in Bengasi that, as an alternate to the present aid program, he proposes assessment of customs duties on Wheelus Base imports, which he claims would bring in some \$28,000,000 per year--all of it completely under Libyan control. Shaglouf feels that if the United States should refuse to modify the base agreement to permit this, the Libyan Government should then go to the United Nations and ask that US forces be moved out of Libya.]

[The Libyan-American base agreement, valid until 24 December 1970, was signed in 1954. In November 1958, however, the Libyan Government initiated negotiations for revision of the financial clauses of the agreement, seeking larger US aid funds completely at the disposal of the Libyan Government. Total US aid to Libya was about \$25,000,000 in each of the Libyan fiscal years 1957 and 1958 and will amount to more than \$32,000,000--including emergency drought assistance--in the current fiscal year ending 31 March. The Libyan Government had a completely free hand, however, in the expenditure of only a small part of this aid.]

[The prime minister and other leading Libyan officials have registered strong dissatisfaction with American aid proposals for fiscal 1960, which are similar to those of the preceding years. It is not clear how much governmental support Shaglouf has for the change he proposes, but the Libyan Government is almost certain to make new demands in connection with its consideration of the draft budget immediately after the 17 January parliamentary elections.] [redacted] 25X1

[redacted]

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III. THE WEST

Threats to Segni Government

Premier Segni's minority Christian Democratic government may soon face a crisis over whether it should seek support from the left or the right and over what stand it should take on controversial legislation. The last-minute postponement of President Gronchi's trip to the USSR, publicly attributed to illness, may have been the result of pressure from right-wing elements who support the government, or from restive left-wing Christian Democrats who desire its fall.

Continued alliance with the right--Liberals, Monarchists, and neo-Fascists--threatens to damage the showing of the Christian Democratic Party (CD) in the nationwide local elections planned for spring, and leaves the government vulnerable to attack by former Premier Fanfani's Christian Democratic left wing. [Fanfani is reported to have said the government would fall in February; several prominent Christian Democratic senators have predicted its January demise.]

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The Christian Democratic right wing and the rightist parties supporting Segni fear a CD alliance with the Nenni Socialists. Party Secretary Moro recently proffered a hand to the Nenni Socialists in Sicily and publicly affirmed the anti-conservative nature of the CD, thus alarming the government's rightist allies.

Current issues on which either side could bring about a cabinet fall are: a controversial antitrust bill; the nuclear energy act, which some Christian Democrats feel would permit private control of energy development; and the "green plan" for agriculture, which will require \$800,000,000 in financing. An additional source of friction is Segni's proposal to remove the editor of Il Giorno, a newspaper financed by oil tycoon Mattei, who favors the left wing of the Christian Democratic party.

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Special Assistant for Foreign Economic Policy

Executive Secretary, National Security Council

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The Secretary of State

The Under Secretary of State

The Under Secretary of State for Economic Affairs

The Deputy Under Secretary for Political Affairs

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